

**REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA**

**THE DEPARTMENT OF HEALTH SERVICES'
INFORMATION ON DRUG TREATMENT
AUTHORIZATION REQUESTS**



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February 5, 1992

P-144

Honorable Robert J. Campbell, Chairman
Members, Joint Legislative Audit Committee
State Capitol, Room 2163
Sacramento, California 95814

Dear Mr. Chairman and Members:

Summary The Office of the Auditor General presents its third in a series of semiannual reports concerning the way the Department of Health Services (department) processes reimbursement requests for certain prescribed drugs under the California Medical Assistance Program (Medi-Cal).

In response to Chapter 457, Statutes of 1990, we obtained from the department statistical information, compiled each month, concerning the number of drug treatment authorization requests (TARs) received and processed from June 1990 through November 1991.¹ During our review, we analyzed this information and reviewed the department's process for counting and compiling the data on drug TARs.

The department received approximately 5,500 more drug TARs during the six months from June 1991 through November 1991 than it did during the same period in 1990. The increase in the

¹ Our previous reports, issued in January 1991 and July 1991, reviewed the statistics for the period from June 1990 through May 1991.

number of drug TARs received, as stated in our last report, may have occurred partly because of the addition of more than 721,000 (20 percent) Medi-Cal beneficiaries eligible to obtain drugs through Medi-Cal.

Additionally, the department has recently modified its system for receiving drug TARs. As of November 1991, the department is no longer accepting telephone calls from providers for the purpose of processing drug TARs. The new system has resulted in a shift in the way providers are transmitting their drug TARs to the department's drug units.

Furthermore, within the last six months, the department processed the lowest number of drug TARs during November 1991. Also, the drug units are taking longer than the time allowed by law to process mail-in drug TARs. These delays occurred primarily because the majority of the staff at the San Francisco drug unit have departed because the unit is scheduled to close in April 1992. Additionally, there were no staff increases at the other two drug units. As a result, fewer personnel were available to process drug TARs. According to the department, mail-in drug TARs generally cover renewals or retroactive approvals of prescribed drugs and, therefore, are not as time critical as drug TARs submitted through the other methods.

Background

Authorized in 1965 under Title XIX of the Social Security Act, Medi-Cal provides a wide array of health care services including payment for prescription drugs to public assistance recipients and low-income individuals and families. Under the provisions of Title 22 of the California Code of Regulations, the department administers Medi-Cal; the state and federal governments jointly fund it.

Under Medi-Cal, beneficiaries may receive prescription drugs from a list the department has established. This list is known as the Medi-Cal list of contract drugs and, according to the chief of the department's field services branch, includes drugs from most

therapeutic categories. Therapeutic categories are classifications of drugs addressing specific medical problems. For example, the contract drugs are classified into such therapeutic categories as antibiotics, cardiac drugs, and gastrointestinal drugs. According to the chief of the field services branch, when a doctor prescribes a drug that is not on the list of contract drugs, the provider, generally a pharmacist, must receive authorization to seek reimbursement for the cost of the drug. The provider's request for authorization is known as a treatment authorization request (TAR).

Currently, the department has three Medi-Cal drug units that process drug TARs. These offices, located in Los Angeles, San Francisco, and Stockton, handle all drug TARs for the State. Before November 1, 1991, providers were able to submit drug TARs by telephone. According to the chief of the field services branch, drug TARs submitted by FAX are restricted to initial supplies of prescribed drugs and drugs that are urgently needed. Providers can also submit their initial and urgent drug TARs through the department's new automated voice-response system, known as the voice drug TAR system (VDTS). Most of the drug TARs submitted through VDTS are processed at the Stockton drug unit. Drug TARs received by mail generally cover renewals or retroactive approvals of prescribed drugs although requests for initial supplies may also be received by mail. In both renewals and retroactive approvals, the beneficiary, or patient, may have already received the drug.

The chief of the field services branch provided us with the following description of the drug TAR process. Drug TARs received by FAX or mail are handled by medical transcribers at all three drug units. The medical transcribers review the TAR forms for completeness. The drug TARs are then forwarded to the pharmaceutical consultants, who are licensed pharmacists. The consultant either approves, denies, approves with modifications, or requests further information from the provider. After a decision is made on a drug TAR, the medical transcriber returns the TAR to the provider via the same method in which it was received.

Additionally, the Stockton drug unit receives drug TARs through the VDTS, which allows providers to use their telephone to dictate and record requests for drug TARs by using voice-activated prompts. Medical transcribers at the Stockton drug unit retrieve this information, type the information onto a TAR form, and forward the TAR form to the pharmaceutical consultants. The pharmaceutical consultants process the drug TAR by either approving it, denying it, approving it with modifications, or requesting further information from the provider. The decision is recorded on the VDTS, and the provider can determine the status of the request by calling the system. An office assistant also returns a copy of the TAR to the provider by mail. Additionally, the VDTS also allows providers to inquire into the status of any previously entered drug TAR.

Scope and Methodology

Chapter 457, Statutes of 1990, requires the Office of the Auditor General to prepare an analysis and summary of the department's data on the drug TAR process. Further, this legislation mandates that the Office of the Auditor General submit a report on this data to the Legislature beginning February 1, 1991, and every six months thereafter until January 1993.

To fulfill these requirements, we obtained statistical data from the department regarding drug TARs received by telephone, VDTS, FAX, and mail. We also obtained data on the number of drug TARs approved, modified, denied, and returned. These data cover the 18 months from June 1990 through November 1991. We visited the three drug units that process drug TARs to observe the process and to determine how the units count the drug TARs they have received and processed each month.

We also reviewed the methods used by the drug units for measuring the time it takes them to respond to a drug TAR from the time it is received at the drug unit to the time the drug unit returns the completed drug TAR to the provider. In addition, we conducted tests to determine if the Stockton drug unit is processing initial and urgent drug TARs submitted through VDTS within 24 hours.

During our last report, issued in July 1991, we conducted tests to determine if the San Francisco and Los Angeles drug units were processing initial and urgent drug TARs submitted by telephone and FAX within 24 hours.

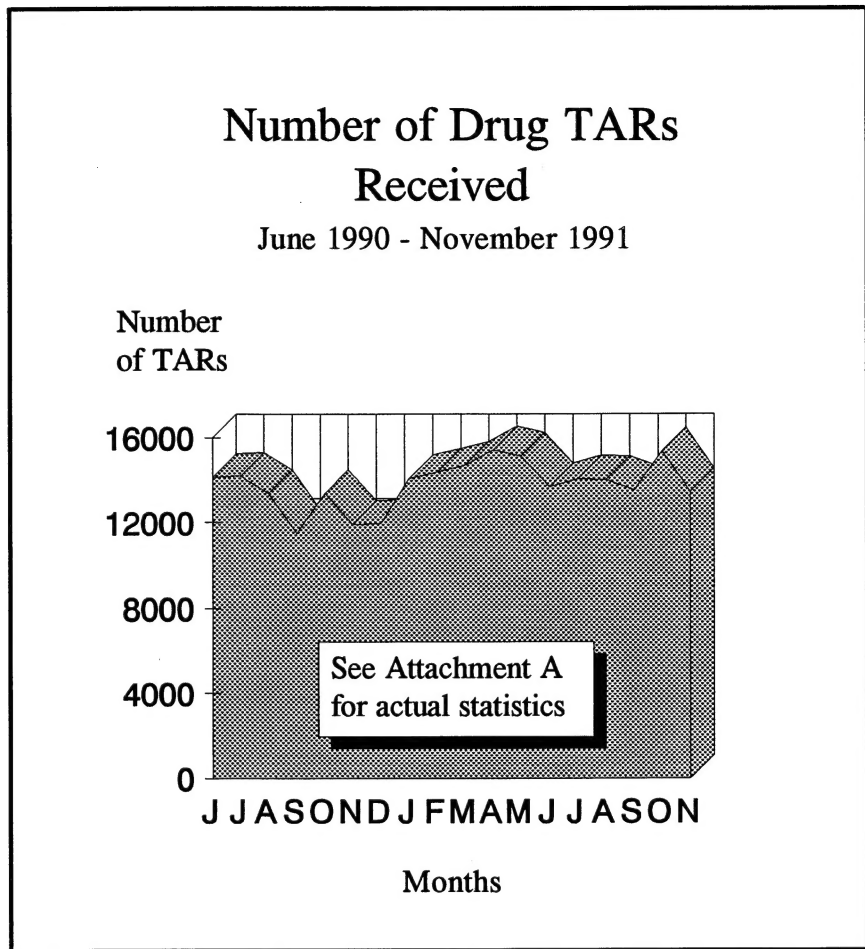
To determine if Medi-Cal beneficiaries are not receiving medication because of delays in the drug units' ability to approve drug TARs, we contacted four pharmacists who had submitted drug TARs through the U.S. mail.

To determine the accuracy and reliability of the monthly statistical reports, we analyzed a judgmental sample of the drug unit records on drug TARs for one month. We did not do enough testing of the department's counting of the drug TARs and compiling of the drug TAR data to assess the overall impact of any errors on the numbers reported here, and therefore, we made no adjustments for errors.

**Drug TARs
Received**

As Figure 1 shows, the number of drug TARs received fluctuated from month to month from June 1990 through November 1991. More specifically, the number of drug TARs received varied from a low of 11,521 drug TARs during September 1990 to a high of 15,415 drug TARs during April 1991. During the six months from June 1990 through November 1990, the drug units received 78,498 drug TARs. During the six months from June 1991 through November 1991, the drug units received 84,046 drug TARs, an increase of 7 percent.

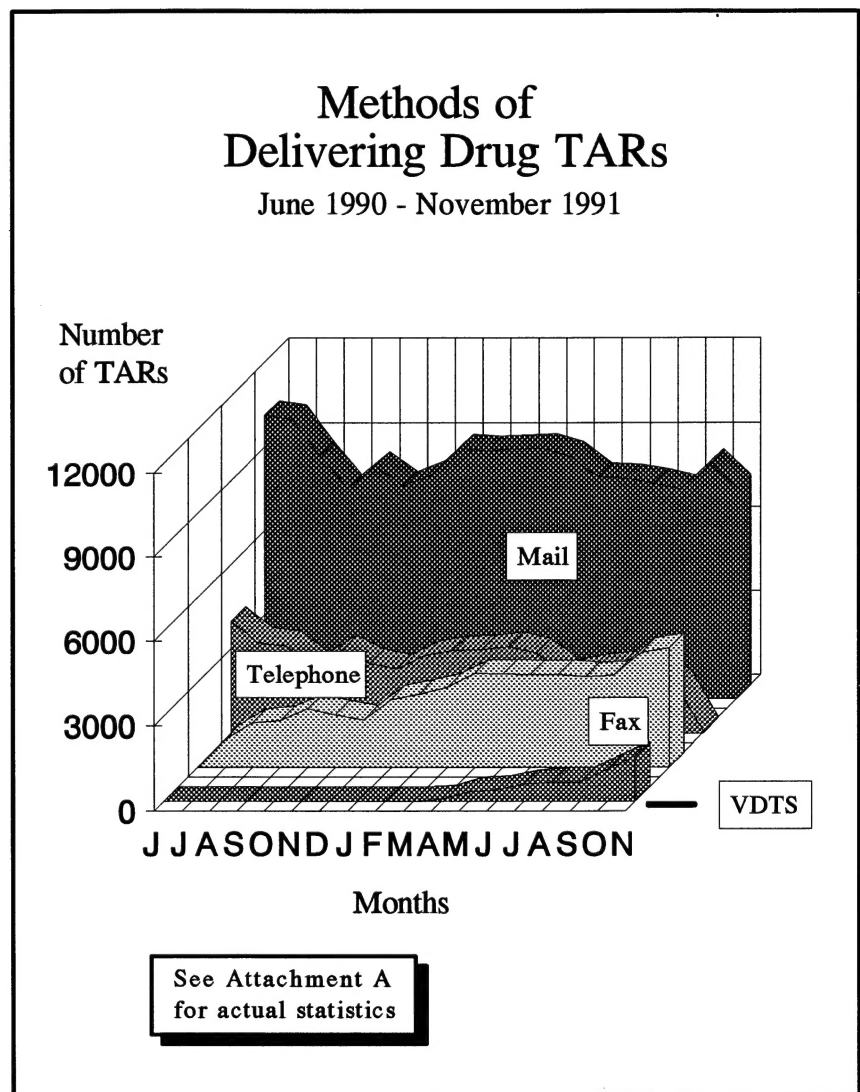
Figure 1



The increase in the number of drug TARs received may have occurred partly because of the increase in the number of Medi-Cal beneficiaries. In June 1990, the department reported 3,674,158 Medi-Cal beneficiaries. By September 1991, according to the department, the number of Medi-Cal beneficiaries increased to 4,395,439, resulting in 721,281 (20 percent) more Medi-Cal beneficiaries eligible to obtain drugs through Medi-Cal. According to the chief of the field services branch, the Omnibus Budget Reconciliation Act of 1986, the Immigration Reform and Control Act of 1986, and the 185 percent and 200 percent federal poverty level programs resulted in new aid categories and more people who were eligible for Medi-Cal. These new categories and eligible people may have contributed to the increase in the number of Medi-Cal beneficiaries. Attachment A provides more detailed information on the number of drug TARs received each month.

**Methods for
Submitting
Drug TARs
Are Changing**

As Figure 2 shows, the methods providers use to submit drug TARs are changing. For instance, the number of drug TARs submitted through VDTs more than doubled from nearly 700 during September 1991 to more than 1,500 in November 1991. Furthermore, the number of drug TARs submitted through FAX increased from more than 3,200 in September 1991 to more than 4,200 in November 1991, an increase of more than 31 percent.

Figure 2

The number of drug TARs submitted through VDTs and FAX increased primarily because, beginning November 1, 1991, the Medi-Cal drug units no longer accepted telephone calls directly from providers for the purpose of processing drug TARs. According to the department, because of staffing reductions resulting from the State's budgetary crisis, the department decided that it can no longer offer this service to providers. Therefore, the providers who previously submitted their initial and urgent drug TARs by telephone are now submitting these drug TARs by either VDTs, FAX, or the U.S. mail. Although providers who submit drug TARs through VDTs and FAX use the telephone system, they do not have direct contact with drug unit staff as they did using the previous telephone method.

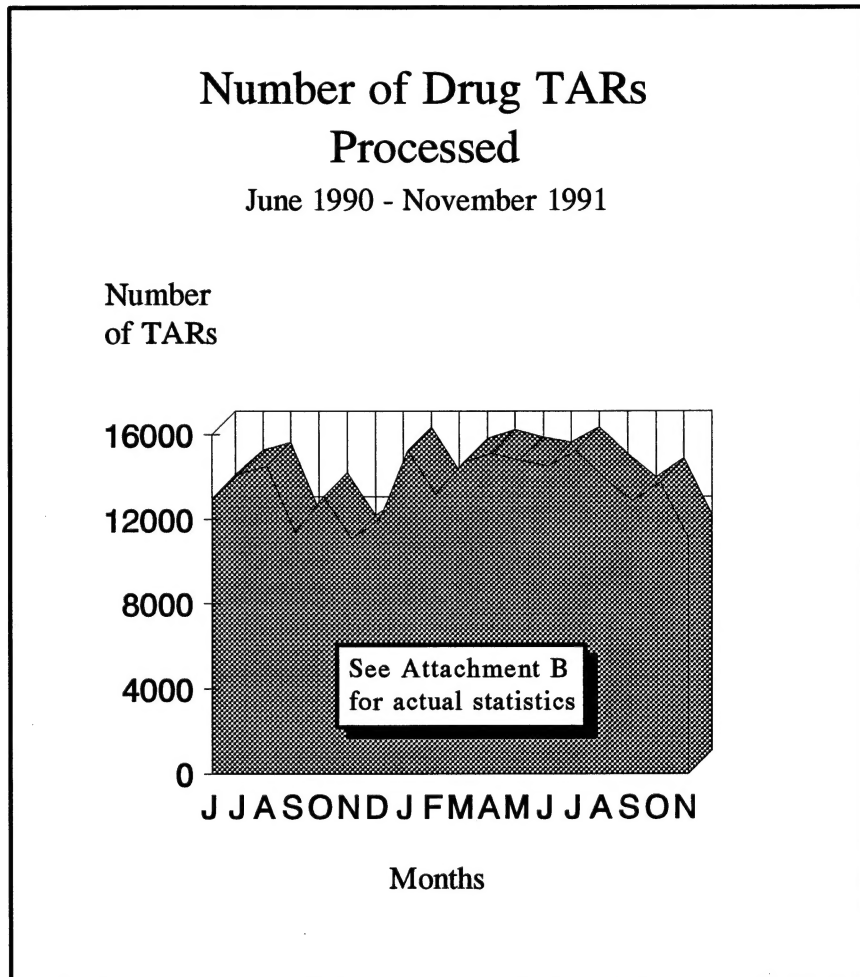
Additionally, more drug TARs may have been submitted through VDTs as a result of the department's continued efforts to encourage providers to use this system. For instance, during October 1991, the drug units sent to pharmacists who previously submitted drug TARs through the telephone a user's guide for submitting drug TARs through VDTs. Also, during October, according to the chief of the field services branch, the department's Medi-Cal fiscal intermediary, Electronic Data Systems (EDS), sent provider identification numbers, needed to access the VDTs, to all pharmacists participating in Medi-Cal. As a result, these pharmacists now have accessibility to VDTs.

Drug TARs Processed

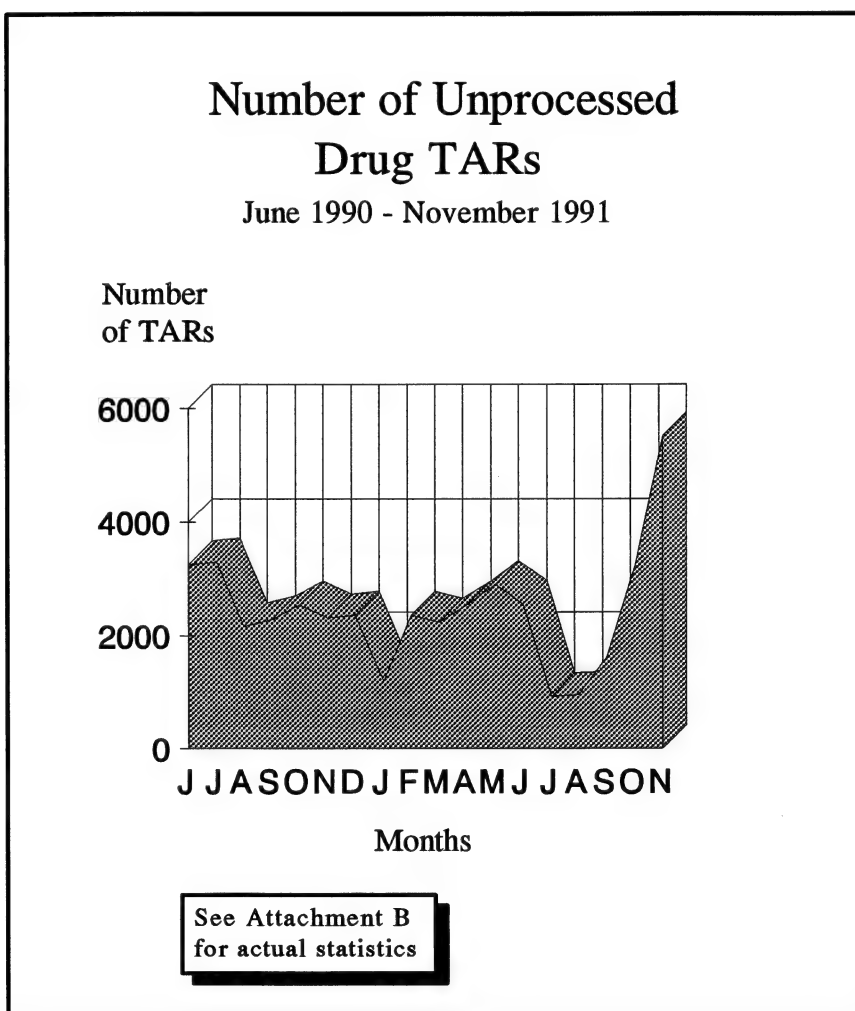
As Figure 3 shows, the number of drug TARs processed fluctuated from month to month from June 1990 through November 1991. More specifically, the number of drug TARs processed varied from a low of 11,104 drug TARs in November 1990 to a high of 15,253 drug TARs in July 1991. During the six months from June 1990 through November 1990, the drug units processed 77,282 drug TARs. During the six months from June 1991 through November 1991, the drug units increased the number of drug TARs processed to 81,510, more than 5 percent. The drug TARs available for processing each month include the unprocessed TARs from the previous month as well as those TARs received

during the month. Attachment B provides information on the number of drug TARs processed for the period from June 1990 through November 1991. Attachment C provides details on the number of drug TARs approved, modified, denied, and returned by the drug units from June 1990 through November 1991.

Figure 3



As we stated in our last report, the addition of the Stockton drug unit may have led to the increase in drug TARs processed. Beginning in March 1991, the Stockton drug unit began processing drug TARs with a staff consisting of a drug unit manager, three pharmaceutical consultants, two medical transcribers, and two office assistants. As a result, from March 1991 through November 1991, the Stockton drug unit processed more than 21,000 of the drug TARs processed. However, as Figure 3 shows, during the last six months, the total number of all drug TARs processed was lowest in November 1991. As a result, as shown in Figure 4, the number of unprocessed drug TARs has increased significantly from September 1991 to November 1991.

Figure 4

The decrease in the number of drug TARs processed during November 1991 may partly be explained because of a decrease in the number of personnel available to process drug TARs. According to the chief of the department's field services branch, the San Francisco drug unit will be closed on April 1, 1992. He further stated that this action was taken as a part of the overall budget reductions contained in the 1991-92 budget as signed by the governor. The department is closing the San Francisco drug unit and consolidating all Northern California drug TAR reviews in the Stockton drug unit. Consequently, all of the medical transcribers and the drug unit manager have left the drug unit without being replaced. In addition, neither the Stockton nor the Los Angeles drug unit has increased its staffing levels. More specifically, according to the field services administrator of the San Francisco Medi-Cal Office, the drug unit manager and one of the medical transcribers left during August 1991, one medical transcriber left during September 1991, two medical transcribers left during October 1991, and finally one medical transcriber left the drug unit during November 1991. These staff departures have resulted in only three full-time and one half-time pharmaceutical consultants available to process the majority of drug TARs previously handled by five full-time medical transcribers and four full-time pharmaceutical consultants. However, according to the chief of the field services branch, the department plans to transfer six of the nine positions formerly assigned to the San Francisco drug unit and its work load to the Stockton drug unit. The three remaining positions have been abolished.

**Disagreements
Over Processing
Time for
Drug TARs**

Section 14103.6 of the Welfare and Institutions Code requires that pharmaceutical consultants process drug TARs in an average of five working days. Additionally, this section states that if the pharmaceutical consultant does not make a decision on a drug TAR within 30 days of receiving the TAR, the request should be considered as approved.

Additionally, Section 1927(d)(5) of the federal Social Security Act of 1990 requires states to respond to all drug TARs within 24 hours of receipt. It is the federal Department of Health and Human Services' Health Care Financing Administration's (HCFA) position that all drug TARs must be responded to within 24 hours of receipt, regardless of whether the TAR is for an initial or urgent prescription or for reauthorization of an existing prescription, and regardless of how the drug TARs are delivered to the department.

Although these two laws seem to conflict with each other in their requirements, the federal government is expected to issue regulations to resolve the difference between the two. Section 14103.6 of the Welfare and Institutions Code is a state law enacted in 1985. On the other hand, Section 1927(d)(5) of the federal Social Security Act of 1990 is a federal law enacted in 1990. According to the chief of the department's field services branch, for the field services branch to require prior authorization for dispensing of drugs, it must have the ability to respond to providers by telecommunication within 24 hours of a request, but the field services branch does not have to respond to all drug TARs within 24 hours. Therefore, according to this chief, the drug units are allowed longer than 24 hours to process drug TARs submitted by the U.S. mail. According to a Medicaid bureau chief at the HCFA, regulations on the Medicaid drug rebate program that include additional prior authorization requirements are currently being cleared in the federal Department of Health and Human Services. These regulations are expected to be published in the Federal Register in April 1992.

During our last report, issued in July 1991, we found that the drug units are processing drug TARs submitted through telephone and FAX within 24 hours as required by law. Further, during this audit, we reviewed a sample of 53 drug TARs submitted through VDTs that were received at the Stockton drug unit to find that 52 of these were processed within 24 hours as required.

However, during November 1991, all three drug units reported processing their mail-in drug TARs in an average of more than the 5 working days required by state law, some averaging as long as 22 working days. The following table shows the average time each drug unit needed to process mailed drug TARs for the period from December 1990 through November 1991.

**Average Time for Processing Mailed Drug
Treatment Authorization Requests at Each Drug Unit, in Days
December 1990 Through November 1991**

	Los Angeles	San Francisco	Stockton
December	15	5	-
January	8	4	-
February	9	6	-
March	16	4	-
April	14	8	-
May	9	7	6
June	5	6	8
July	3	6	15
August	3	8	7
September	3	7	6
October	7	12	11
November	14	22	15

As the table shows, during November 1991, all three drug units reported processing their mail-in drug TARs in an average of more than 5 working days. More specifically, the San Francisco drug unit took an average of 22 working days to process its mail-in drug TARs in November 1991. Similarly, the Stockton drug unit processed mail-in drug TARs in an average of 15 days. Finally, the Los Angeles drug unit processed its mail-in drug TARs in an average of 14 days.

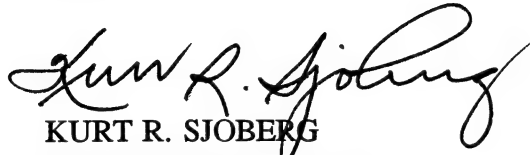
All drug units measure the "turnaround time," or the time it takes to process drug TARs, in generally the same manner. The drug units are currently computing turnaround time for mail-in drug TARs by selecting sample drug TARs received during the month and comparing the date that the drug TAR was received in the originating drug unit with the date that the completed drug TAR was sent back to the provider. Each drug unit then determines the average time it takes to process drug TARs.

As previously reported, the number of personnel available at the drug units to process drug TARs has been reduced primarily because of the department's decision to close the San Francisco drug unit on April 1, 1992. Therefore, in part because of fewer personnel available to process drug TARs and because the department prioritizes initial and urgent drug TARs submitted by FAX and VDTs to be processed within 24 hours, the backlog of mail-in drug TARs not processed during a month continues to increase. The reason the department treats drug TARs submitted by mail as less of a priority is because, according to the department, these drug TARs are not as time critical as drug TARs submitted through the other methods. As previously stated, drug TARs submitted by mail generally cover renewals or retroactive approvals of prescribed drugs.

We contacted four pharmacies that had submitted drug TARs through the U.S. mail to ask if beneficiaries ever suffered a lapse in medication as a result of delays in the drug TAR approval process. We found that, for the four drug TARs we reviewed, even though the Stockton drug unit took approximately a month to approve these drug TARs, those pharmacies we contacted were not aware of any lapse in the medication provided to the Medi-Cal beneficiaries. For example, a patient being treated for a schizo-affective disorder was prescribed the drug Lithobid. The physician signed the drug TAR for this medication on October 29, 1991, and the drug TAR was not approved by the pharmaceutical consultant until November 26, 1991. However, according to the pharmacist, the patient did not experience a lapse in her medication because the drug TAR was sent well in advance of the old drug TAR's expiration date.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this letter report.

Respectfully submitted,



KURT R. SJOBERG
Auditor General (acting)

Staff: Steven M. Hendrickson, Audit Manager
Keith W. Kuzmich

Attachments

- A** Drug Treatment Authorization Requests Received
by Means of Delivery
June 1990 Through November 1991
- B** Drug Treatment Authorization Requests Processed
June 1990 Through November 1991
- C** Drug Treatment Authorization Requests
Approved, Modified, Denied, and Returned
June 1990 Through November 1991

Response to the Audit

Health and Welfare Agency
Department of Health Services

**Attachment A Drug Treatment Authorization Requests Received
by Means of Delivery
June 1990 Through November 1991**

	Telephone	FAX	Mail	VDTS	Monthly Total
June	3,989 28.26%	--	10,125 71.74%	--	14,114
July	3,225 22.71%	985 6.94%	9,990 70.35%	--	14,200
August	3,126 23.39%	1,561 11.68%	8,679 64.93%	--	13,366
September	2,358 20.47%	1,646 14.29%	7,517 65.24%	--	11,521
October	2,955 22.12%	2,064 15.45%	8,340 62.43%	--	13,359
November	2,483 20.80%	1,849 15.49%	7,606 63.71%	--	11,938
December	2,282 19.09%	1,661 13.90%	8,009 67.01%	--	11,952
January	2,748 19.52%	2,379 16.90%	8,951 63.58%	--	14,078
February	2,934 20.42%	2,570 17.89%	8,865 61.70%	--	14,369
March	2,966 20.19%	2,816 19.16%	8,912 60.65%	--	14,694
April	3,075 19.95%	3,310 21.47%	8,967 58.17%	63 0.41%	15,415
May	2,835 18.75%	3,293 21.77%	8,658 57.25%	338 2.23%	15,124
June	2,083 15.23%	3,274 23.94%	7,922 57.92%	399 2.92%	13,678
July	2,277 16.22%	3,283 23.38%	7,879 56.11%	602 4.29%	14,041
August	2,396 17.11%	3,214 22.95%	7,718 55.10%	678 4.84%	14,006
September	2,129 15.72%	3,234 23.88%	7,490 55.31%	688 5.08%	13,541
October	1,741 11.33%	4,077 26.54%	8,417 54.78%	1,129 7.35%	15,364
November	86 0.64%	4,233 31.55%	7,519 56.05%	1,578 11.76%	13,416

Note: Total percentages do not always add up to 100 percent because of rounding.

Attachment B Drug Treatment Authorization Requests Processed June 1990 Through November 1991

	Unprocessed TARs at Beginning of Month	TARs Received During Month	Total Available To Be Processed	Total Processed During Month	Unprocessed TARs	Percent of TARs Processed
June	2,160	14,114	16,274	13,015	3,259	79.97%
July	3,259	14,200	17,459	14,164	3,295	81.13
August	3,295	13,366	16,661	14,502	2,159	87.04
September	2,159	11,521	13,680	11,394	2,286	83.29
October	2,286	13,359	15,645	13,103	2,542 ^a	83.75
November	1,477 ^a	11,938	13,415	11,104	2,311	82.77
December	2,311	11,952	14,263	11,897	2,366	83.41
January	2,366	14,078	16,444	15,242	1,202	92.69
February	1,202	14,369	15,571	13,206	2,365	84.81
March	2,365	14,694	17,059	14,695	2,244	86.14
April	2,244	15,415	17,659	15,115	2,544	85.59
May	2,544	15,124	17,668	14,763	2,905 ^b	83.56
June	3,395 ^b	13,678	17,073	14,522	2,551 ^c	85.06
July	2,142 ^c	14,041	16,183	15,253	930	94.25
August	930	14,006	14,936	13,983	953	93.62
September	953	13,541	14,494	12,876	1,618	88.84
October	1,618	15,364	16,982	13,746	3,236	80.94
November	3,236	13,416	16,652	11,130	5,522	66.84

^aThe number of unprocessed drug TARs at the end of October 1990 does not agree with the number of unprocessed drug TARs at the beginning of November 1990. The manager of the San Francisco drug unit stated that unit staff did a hand count of the actual drug TARs that were unprocessed at the end of October 1990 and found that the unit's accounting records overstated by 1,065 the number of unprocessed drug TARs for the end of the month. Because of this finding, unit staff adjusted the number of unprocessed drug TARs reported at the beginning of November.

^bThe number of unprocessed drug TARs at the end of May 1991 does not agree with the number of unprocessed drug TARs at the beginning of June 1991. According to the Los Angeles drug unit manager, the lack of agreement partly occurred because of discrepancies in the counting of mail-in drug TARs sent to the Stockton drug unit. Additionally, according to the Stockton drug unit manager, the unprocessed drug TARs reported for the Stockton drug unit during these periods do not reconcile primarily because of discrepancies in the counting of mail-in drug TARs sent from the San Francisco drug unit.

^cThe number of unprocessed drug TARs at the end of June 1991 does not agree with the number of unprocessed drug TARs at the beginning of July 1991. This occurred primarily because both the Stockton and San Francisco drug units changed their methods for reporting drug TAR statistics beginning in July 1991 without reconciling the ending June total with the beginning July total.

**Attachment C Drug Treatment Authorization Requests
Approved, Modified, Denied, and Returned
June 1990 Through November 1991**

	Approved	Modified	Denied	Returned	Total Processed
June	9,350	2,001	1,226	438	13,015
July	9,169	2,008	1,361	1,626	14,164
August	8,980	2,650	2,045	827	14,502
September	7,222	1,847	1,565	760	11,394
October	8,377	2,215	1,698	813	13,103
November	7,033	1,811	1,455	805	11,104
December	7,800	1,989	1,385	723	11,897
January	8,994	3,457	1,667	1,124	15,242
February	8,322	2,533	1,536	815	13,206
March	9,810	2,308	1,741	836	14,695
April	9,490	2,940	1,697	988	15,115
May	9,530	2,531	1,864	838	14,763
June	9,101	2,695	2,066	660	14,522
July	9,698	2,988	2,099	468	15,253
August	9,072	2,758	1,748	405	13,983
September	8,128	2,759	1,582	387	12,856
October	8,687	3,129	1,558	372	13,746
November	7,399	2,365	1,062	304	11,130

DEPARTMENT OF HEALTH SERVICES

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Mr. Kurt R. Sjoberg
Acting Auditor General
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Dear Mr. Sjoberg:

I have reviewed your draft report to the Joint Legislative Audit Committee on the processing of drug Treatment Authorization Requests (TAR) in the Medi-Cal Program. I believe the report accurately reflects the status of the utilization review of drugs under the Medi-Cal Program.

I would like to thank you for the opportunity to review this report, and to thank your staff for the efficient and professional manner in which they conducted the data collection and reporting. Given our staffing constraints, the requirement for a minimum commitment of our staff time is especially appreciated.

Sincerely,


Molly Joel Coye, M.D., M.P.H.
Director

FAD:jl

**cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps**